

Message Text

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PAGE 01 BUCHAR 03443 090622Z

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ACTION COME-00

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FM AMEMBASSY BUCHAREST

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E.O. 11652: N/A

TAGS: ETRD BGEN RO

SUBJECT: CUMMINS DIESEL ENGINE PROJECT - ROMANIA

REF: STATE 155967

1. AMBASSADOR HAD BEEN SEEKING APPOINTMENT WITH MINISTER OF HEAVY MACHINERY AVRAM AS PART OF REVIEW OF COMMERCIAL PROJECTS AND POSSIBILITY FOR US FIRM PARTICIPATION IN OTHER AREAS INCLUDING PURSUING CUMMINS QUESTION. MEETING TOOK PLACE AUGUST 7 AND AVRAM LED OFF BY SAYING HE PARTICULARLY WANTED TO SEE AMBASSADOR ABOUT CUMMINS. ON CUMMINS PROJECT, AVRAM MADE FLAT STATEMENT "WE ARE STILL VERY INTERESTED," THEN WENT ON TO LIST REMAINING PROBLEMS WHICH, HE SAID, HAVE STOPPED NEGOTIATIONS AT A CERTAIN POINT. PROBLEM AREAS HE LISTED ADDED LITTLE, IF ANYTHING TO WHAT IS ALREADY KNOWN ABOUT MAJOR STICKING POINTS; COST OF CUMMINS SUPPLIED COMPONENTS (SPARE PRICE FORMULA), DISCOUNT PRICE TO CUMMINS OF FINISHED ENGINE, AND SUPPLY OF TECHNOLOGY (FUEL INJECTION AND TURBOCHARGER). AVRAM ALSO SAID MINISTRY PASSED TO CUMMINS THROUGH ROMANIAN COMMERCIAL OFFICE IN U.S. (STOICA), EIGHT OPEN ISSUES IN NEGOTIATIONS AND ARE STILL WAITING FOR "OFFICIAL" WRITTEN RESPONSE. AVRAM SAID HE COULD NOT RECOMMEND ON TO HIS SUPERIORS A PROJECT WHICH WOULD LOSE ROMANIA MONEY. HE ASKED EMBASSY HELP IN GETTING SPECIFIC CUMMINS RESPONSE TO THE EIGHT POINTS SO HE COULD THEN GET A REALLY FINAL DECISION. HE SUGGESTED AS ONE WAY OF BRIDGING THE GAP THAT CUMMINS AFFILIATES IN INDIA OR EUROPE MIGHT BE ABLE TO PROVIDE SOME OF THE COMPONENTS AT LOWER PRICES (INCLUDING TRANSPORT),

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PAGE 02 BUCHAR 03443 090622Z

OR THAT CUMMINS MIGHT BE ABLE TO SPEED UP, AT LEAST SOMEWHAT,

TRANSFER OF TECHNOLOGY ASPECTS. IN RESPONSE TO AMBASSADOR'S QUESTION,

AVRAM PROMISED ONCE CUMMINS' RESPONSE RECEIVED HE COULD MAKE SURE OF RAPID DECISION. WE THINK IT IS FAIR TO SAY THAT AVRAM AND HIS STAFF APPRECIATE THE POTENTIAL VALUE OF THE CUMMINS COOPERATION PROJECT, AND UNDERSTAND (REFTEL) CUMMINS' NEED FOR A DECISION. AT THE SAME TIME, IT IS CLEAR THAT AVRAM BELIEVES HE HAS TO PRESENT A MORE ATTRACTIVE PACKAGE IF HE IS GOING TO BE ABLE TO ARRIVE AT AN AGREEMENT IN PRINCIPLE AND PROCEED TO SOMETHING CONCRETE.

2. WE CAME AWAY WITH CLEAR FEELING THAT WHILE GOR OFFICIALS MAY HAVE DIFFICULTIES WITH PRESENT FORM OF CUMMINS'S PROPOSAL, IT HAS BEEN DECIDED THAT THE PROJECT ITSELF IS ONE WHICH FITS WITHIN ECONOMIC PLAN AND THAT IT SHOULD BE MOVED FORWARD SOON. THIS FITS WITH PUNGAN COMMENTS AND ADOPTION OF PLAN DIRECTIVES. AVRAM SAID HE HOPED THAT SOME DECISION COULD BE REACHED BEFORE THE NOVEMBER PARTY CONGRESS IN BUCHAREST TO ILLUSTRATE PROGRESS MADE TOWARD FULFILLMENT OF THE PLAN, AND ADDED IT OUGHT TO BE POSSIBLE TO HAVE SOMETHING SIGNED BY THE END OF THE YEAR.

3. WE WOULD APPRECIATE DEPARTMENT PASSING THIS INFORMATION ON TO CUMMINS (HACKETT & BOLL) AND GIVING US PRESENT STATE OF PLAY. IF CUMMINS' OFFICIALS FEEL THAT SOME GROUND COULD BE GAINED BY ANOTHER MEETING IN BUCHAREST, WE ARE PREPARED TO ASSIST BY REQUESTING APPOINTMENTS WITH HIGHEST POSSIBLE LEVEL OF MINISTRY OFFICIALS. WE SEE THIS AS MAJOR PROJECT IN AN INDUSTRY WHICH DOES NOT YET HAVE LARGE US FIRM INVOLVEMENT, BUT WHICH HAS GOOD POTENTIAL AS ROMANIAN PRIORITY AREA IN NEXT SEVERAL YEARS. CUMMINS PROJECT WOULD MAKE SIGNIFICANT INROAD IN THIS MARKET.

4. FOR EUR/EE CHRISTNESEN FROM AMBASSADOR: I LEAVE IT UP TO YOU THE BEST WAY TO PROCEED ON THIS IN LIGHT OF OUR VISIT TO CUMMINS IN JANUARY. MY OWN VIEW, WHICH DON BRAMANTE SHARES, IS THAT EVEN ALLOWING FOR CUMMINS FRUSTRATION, ANOTHER TRIP HERE (IF PRECEDED BY CUMMINS' ANSWERS WHICH SHOULD SHOW WILLINGNESS TO EXPLORE SUCH IDEAS AS ALTERNATE SOURCES OF SUPPLY), COULD WELL BREAK THE LOG JAM GIVEN THE ROMANIAN PREFERENCE AND RECEPTIVITY FOR FACE-TO-FACE DEALINGS. IF HACKETT AND BOLL FOR EXAMPLE THINK A MESSAGE FROM ME TO ERWIN MILLER WOULD BE OF SOME GENERAL HELP (REFER TO OUR LUNCH COMMENT) I WOULD BE GLAD TO DO THAT TOO.

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PAGE 03 BUCAR 03443 090622Z

BARNES

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